

Your child is worried about getting into college--but you're probably more concerned about paying for it. Here's the good news: there is plenty of financial assistance for families paying for college. You just need to know how to get it.

The prospect of applying for financial aid can seem intimidating--especially the first time. But the financial aid process is not as difficult as you think. All it takes is time, a little organization--and a lot of paperwork.

Previewing Your Magic Number

The "magic number" of the financial aid process is the Expected Family Contribution (EFC). This is the amount of money you and your child are expected to contribute to paying for college. The EFC is based on the income and other financial assets of you and your college-bound child.

You can get a preview of your EFC using one of several calculators on the Internet (go to <http://cbweb9p.collegeboard.org/EFC/> to get two estimates based on the two most widely used methods).

"Do not assume you will be ineligible [for financial aid] before calculating your expected contribution with this tool," says Robert Massa, vice president of enrollment, student life, and college relations at Dickinson College (PA). "While it is only an estimator, it can give you a very good idea of your possible eligibility for aid."

How It All Works

The point of any financial aid form (see the next section for details) is to figure out your EFC. It seems like a simple concept. Calculating the EFC is not so simple, though, because it requires extremely detailed financial information about each applicant. That's where the FAFSA (Free Application for Federal Student Aid) and other financial aid forms come in. The information from your child's completed financial aid form is plugged into a series of formulas to calculate how much money your family can afford to pay for college.

Individual colleges then use the EFC and their own fees to determine your child's demonstrated financial need. Financial need in this context is the difference between the cost of a particular college and an applicant's EFC. For example, Jane Smith's EFC is \$5,000. At College A, which costs \$9,000 per year, Jane's financial need is \$4,000. At College B, which costs \$20,000 per year, Jane's financial need is \$15,000. Both colleges expect Jane and her family to pay \$5,000 per year, but Jane needs (and will probably receive) more financial aid at College B.

Taking all of this into account, each college at which your child applies for financial aid will put together a financial aid package. A financial aid package shows how an individual college plans to meet the financial need of your child if he or she attends that college. If your child is accepted at three colleges and applies for financial aid at all of them, he or she will receive three different financial aid packages.

Financial aid packages can contain any combination of the three basic types of aid: loans, grants and work-study:

- **Loans** may come from the federal or state government, from the college itself, or from other sources. They must be paid back by you or your child (depending on the type of loan). One common type of loan, the Stafford Loan, is subsidized by the federal government. As a result, your child doesn't have to begin making payments on this type of loan until several months after he or she is out of college.
- **Grants** or scholarships may also come from the government, the college, or other organizations. They are gifts and don't need to be paid back. Need-based grants are based solely on your child's financial need. Merit-based grants or scholarships may be given to students who have special talents or achievements in some area (such as academics, sports, music, or leadership). Merit scholarships are not limited to students who have financial need, although they could make up part of the financial aid package for students who do have need.
- **Work-study** requires your child to work part-time at an on-campus job once he or she arrives on campus. This aid is given directly to your child in the form of a paycheck. Usually, it is up to your child to find a work-study job--although the financial aid or other office will often help to place students.

Each college's financial aid package will have different proportions of loans, grants and work-study. You and your child need to analyze each package to decide if it is affordable for your family (details on that later).

The Nuts and Bolts: How to Apply

Now that you know how financial aid works, it's time to get down to the nitty-gritty of applying.

The FAFSA

Every college in the United States requires financial aid applicants to file the FAFSA (Free Application for Federal Student Aid). Filing the FAFSA makes your family eligible to be considered for financial aid from the federal government, including Pell Grants, Perkins Loans, Federal Work-Study, Stafford Loans (loaned to your child), and PLUS Loans (loaned to you, the parent). All of these programs are based on your child's EFC and/or demonstrated financial needs.

You/your child can fill out the FAFSA online at FAFSA on the Web or get a paper application at high school school counseling offices and college financial aid offices. The form for the next academic year is generally available in November or December of the preceding year (the form for the 2002-2003 year will come out in late 2001).

Each college sets its own deadline regarding financial aid, but it is in your child's best interests to file the FAFSA (and any other required forms) as early as possible. Colleges have a finite amount of money budgeted for financial aid. Students who file later risk receiving less aid as colleges approach their budget limits.

"The early bird gets the money--don't delay filing," says Richard Adam, college advisor for Albuquerque Academy (NM).

The ideal way to complete the FAFSA is with numbers taken from your completed federal income tax return. But few taxpayers habitually complete their income tax by February (which is when some colleges have their priority financial aid deadlines). If you have the discipline and the information to complete your tax return early (even if you don't actually send the return to the IRS until April 15), you can cut out a few steps in the process.

But it is so important to apply early that financial aid experts advise parents to go ahead and file the FAFSA with estimated numbers, even if their tax returns are not complete. (The earliest you can submit the FAFSA is January 2, 2002, if you're applying for aid for the 2002-2003 academic year.) Then, when you have the exact numbers, you can make revisions to the FAFSA.

The FAFSA allows your child to list up to six colleges to which he or she wishes financial aid information to be sent. Be sure to file the FAFSA early enough to meet those schools' deadlines (which are different from the deadline listed on the FAFSA itself).

A few weeks after you file the FAFSA, your child will receive a Student Aid Report (SAR). If the FAFSA was completed correctly and signed, the SAR will show your child's EFC under the federal methodology. Check the SAR carefully for errors, make any needed corrections and send it back to the address indicated on the form. This is also the time to replace estimates with "real" numbers, if possible.

Other forms

Some colleges require other forms in addition to the FAFSA. It's a good idea to check with the financial aid office of each college your child is considering to find out which forms are required.

One common supplemental form is the CSS/Profile, administered by the College Board. Unlike the FAFSA, the Profile requires processing fees: a \$6 nonrefundable registration fee, plus \$16 for each college to which your information is to be sent. (The College Board will consider fee waivers in the event of financial hardship. Check with your child's school counseling office or college financial aid office for details.)

Some colleges may have their own institutional forms, which usually carry no cost.

Keeping track

If your child is applying for aid at more than one college, it can be difficult to keep track of what has been sent where. Making a checklist of what's required at each college can help you keep track.

Also, it is very important to make copies of everything you send: the FAFSA, the SAR, your income tax forms, and any supplemental forms or information. Any organization dealing with a large amount of paperwork could end up losing or misplacing a form or two. (And things still get lost in the mail occasionally!) Having a copy in your file cabinet or safety deposit box can make the difference between a minor inconvenience and a major chore if you have to supply missing information.

A few weeks after you submit the necessary information, call the college financial aid office to confirm that your child's application is complete. That can help you identify and resolve problems faster than if you waited for a formal notice from the college.

Comparing Financial Aid Packages

As discussed above, the amount of money in a financial aid package depends on your child's EFC and the cost of the college. If your EFC is the same at each college, you'll pay the same at each college. That's one reason not to cross an expensive college off your child's list until you explore financial aid possibilities.

There are two main points to look at when assessing a financial aid package: whether the aid meets your child's demonstrated financial need, and what proportion of the package is loans versus grants and work.

Meeting financial need

The majority of colleges in the United States try to meet the full financial need of their students. But rising college costs and an increased need for aid has caused some colleges to resort to gapping.

Gapping is when a college offers some financial aid, but not enough to meet the full financial need of the student. (As described above, financial need is the difference between the college costs and the EFC of the student.) In that case, you and your child must decide if you can afford to make up the gap between the financial aid offered and the total cost of the college. In some cases, your child may be able to qualify for merit-based scholarships to close the gap. Or, your child could take on a job to make enough money to pay the difference.

If one college meets your child's full financial need and another cannot, you and your child must weigh the difference in affordability versus the attractiveness of the college for your child.

"You can narrow college choices based not only on whether the college is the right 'fit' for your student, but also on whether the college is within your affordability range," says Massa.

Weighing proportions

If all the colleges can meet your child's financial need, take a look at what kind of aid each college offers. Some colleges can afford to offer substantial grant aid (which need not be paid back); others rely more heavily on loans (which must be paid back).

When considering a financial aid package that contains loans, take into account not just this year, but four years or more education loans. Talk to your child about his or her responsibility to pay back the loans after college. Along with your child, think about how much loan burden you think would be sustainable after college.

Of course, financial aid should not be the only criterion your child uses to choose a college. You and your child may decide to take a somewhat less attractive financial aid package if you feel the quality of the college and your child's education there is worth it.

Can You Negotiate?

Limited negotiation on financial aid packages may be possible. If your family has special circumstances not covered by any of the standard financial aid forms, consider writing a letter to the financial aid office describing your situation. Also, if your financial situation changes at any time (for example, if a parent loses a job), notify the financial aid office immediately. Financial aid officers want to know about anything that could impact your ability to pay for your child's education. They must work within certain limits, but their mission is to help families afford their college.